

**B. JORDAN**

|   |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
|---|----|----|---|----|----|----|----|----|----|----|----|----|----|-----|----|
| FATF/FSRB membership: MENAFATF since 2004   |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| Reasons for initial referral to ICRG: 14 of the 16 core and key Recommendations are rated as PC or NC   |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| Date of adoption of last mutual evaluation: May 2009  |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| Date of on-site mutual evaluation: July 2008  |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| Ratings for core and key Recommendations: No ratings available.   |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| Rec.  | 1  | 3  | 4 | 5  | 10 | 13 | 23 | 26 | 35 | 36 | 40 | I  | II | III | IV |
| Rating  | PC | PC | C | PC | LC | PC | PC | PC | PC | PC | PC | NC | PC | NC  | NC |
| <b>I. Strategically Important Deficiencies</b>  |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| <i>This section should identify the key deficiencies which, when coupled with the characteristics of the jurisdiction's financial sector and its ML/FT threat profile, constitute a significant deficiency for prioritized action.</i>  |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| <u>Financial sector background</u>  |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| <p>Jordan maintains an economy that is very open to the international investment markets, with the availability of a wide range of financial services. Banking represents the most important and largest component of the financial sector (and the economy in general), and is one of the most developed in the Middle East, comprising 16 Jordanian banks (including three Islamic banks), and 9 foreign banks, with a local network of around 616 branches and 66 offices. Total banking assets at end-2009 were US\$45.1 billion. The insurance and securities sectors are relatively small, although the Amman Stock Exchange has developed strongly in recent years, with some 272 companies listed, and a trading volume of USD13.8bn in 2009 (mostly relating to the financial sector).</p>   |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| <u>Money laundering</u>   |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| <p>MENAFATF's 2009 mutual evaluation report (MER) identified a number of important deficiencies in criminalisation of the money laundering offence under the AML Law (Law No. 46 of 2007):</p> <ol style="list-style-type: none"> <li>1. The predicate offences for ML did not include a significant number of the categories of offences required under the standard, specifically: blackmail, human trafficking, sexual exploitation (including of children), illicit trade in stolen goods, environmental offences, piracy of products, smuggling, fraud, piracy, market manipulation and terrorist financing (in part). Under the AML Law predicate offences for ML were restricted to felonies (generally offences with a minimum term of imprisonment of three years) and those offences covered by international agreements to which Jordan is a party and which are offences under Jordanian law. Most of the predicates not covered by the AML Law were defined as misdemeanours (rather than felonies) under Jordanian law, while the assessors could not find evidence that some of the required predicate offences had been criminalised at all. (R. 1)</li> <li>2. While the AML law applied to any properties directly or indirectly derived from the commission of a predicate offence, the assessors concluded that a conviction for a predicate offence would be required before money laundering could be proven. However, the law was not specific on this issue, and there was, as yet, no case law to clarify the situation. (R. 1)</li> </ol> |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| <u>Terrorist financing</u>  |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |
| <p>The MER identified several key deficiencies related to the Special Recommendations on terrorist financing, including:</p> <ol style="list-style-type: none"> <li>1. The scope of the TF offence, as covered by the Terrorism Prevention Law of 2006, did not extend to the provision to, or collection of funds by terrorist organisations or individual terrorists, if there was no proof that those funds were going to be directed to the commission of a terrorist act. (SR II)</li> <li>2. The Terrorism Prevention Law did not contain a definition of what constitutes "funds", and the concept within Jordan's general legislation was too restrictive. (SR II)</li> <li>3. The sanctions for natural and legal persons who commit TF acts were not considered to be dissuasive or proportionate, and did not extend to the confiscation of funds. (SR II)</li> </ol>  |    |    |   |    |    |    |    |    |    |    |    |    |    |     |    |

4. Under the AML Law the scope of the FIU's mandate was limited to ML, and it was not empowered to receive STRs related to TF. (R13, R26 and SRIV)
5. There were no statutory provisions or effective procedures for implementing the obligations under UNSCRs 1267 and 1373. (SRI and SRIII)

Resources

The MER also commented on the lack of financial, human and technical resources at the FIU. (R26)

**II. Current Situation Regarding Important Deficiencies**

*This section should also include a detailed discussion of the current situation with regard to the deficiencies, the initial rating, and explanation of any progress made in recent years to address the deficiency.*

Legislation

A Royal Decree was issued on 28 April 2010, (as a temporary law<sup>9</sup> since Parliament was dissolved and is not due to reconvene until after elections in November) approving a cabinet decision to amend the AML Law. The decree came into effect on 2 May, when it was published in the Official Gazette, and addresses several of the strategically important deficiencies. A second Royal Decree was gazetted on 21 September 2010 to address two further issues identified in discussion with the RRG. These measures, together with certain other developments, impact the Recommendations as follows:

Recommendation 1

- The range of predicate offences has been extended to include all offences (both misdemeanours and felonies) which are crimes in Jordan, whether committed in Jordan or abroad. The inclusion of misdemeanours as predicate offences now captures blackmail, fraud, sexual exploitation (including of children), illicit trade in stolen goods, piracy of products, environmental crimes, smuggling, and market manipulation (although some aspects of some of these offences are felonies and were already captured under the previous AML legislation). In addition, legislation on human trafficking has been enacted since the onsite visit took place in July 2008, and, as noted below, the scope of the TF offence has been expanded by the Royal Decree. The categories of predicate offences for ML now comprise all those included in the FATF's list, and there appears to be a reasonable range of offences in each category.
- The first two indictments (under the 2007 AML law) were brought in January and April 2010. In both cases the predicates were committed outside Jordan. One conviction has so far been achieved (involving two defendants), attracting a sentence of three years' hard labour, a fine of 10,000 dinars and confiscation of the proceeds. The conviction for ML was achieved without the need for a conviction for the predicate offence. Similarly, the case still pending is being brought on the basis that there will be no need to obtain a conviction for the predicate offence. On 21 September, a Royal Decree was published, specifying explicitly that a conviction for the predicate offence is not a pre-condition for establishing the ML offence.

Recommendations 13, 26 and Special Recommendation IV

- Additional provisions have been included on the role, structure and independence of the FIU, which is given specific responsibilities with respect to TF, in line with those that it has for ML. The expansion of the FIU's responsibilities with respect to TF include the authority to receive, analyse and disseminate STRs; to apply temporary freezing orders; to require the submission of additional information from reporting entities; and to exchange information with counterparts. The FIU is also granted administrative and financial independence. (e.g. the head of the FIU is appointed by the National AML/CFT Committee, the financial resources are allocated under the national budget, and the staffing arrangements have been separated from those of the Central Bank). The staffing of the FIU has been increased from three people at the time of the MER to twelve at present, and exceptional approval has been given by the Prime Minister to add another ten

<sup>9</sup> In Jordan, a temporary law is fully enforced and enacted. Parliament has the right to review the law and may approve, amend or reject the law whenever it decides to allocate time for its consideration. However, there are currently a number of temporary laws that have never been reviewed or discussed by any sitting Parliament over many years. These laws remain in effect until such time as Parliament approves, amends or rejects them.

positions.

#### Special Recommendation II

- The TF offence has been expanded to include the collection or provision of funds to an individual terrorist or a terrorist organisation, or for a terrorist act (whether or not the act actually occurred). The Royal Decree of 21 September removed the previous limitation that the provision of funds had to be linked to the commission of a terrorist act.
- "Funds" has been defined in line with the term used in the Terrorist Financing Convention.
- Penalties have been increased for the TF offence, which is punishable by temporary hard labour of not less than ten years, plus a fine of at least 100,000 dinars and confiscation of all relevant funds and instrumentalities.

#### Special Recommendations I and III

- General measures have been introduced to provide for the freezing, seizing and confiscation of funds related to TF (and ML). The National AML/CFT Committee has also been given the obligation to make provisions for the implementation of Jordan's international obligations, through instructions to be issued under article 37(c) of the new law. Instructions laying down procedures for the implementation of obligations under UNSCRs 1267 and 1373, and establishing a "technical committee" to oversee the process, were published on 23 August 2010. These are broadly in line with the requirements of SR III.

#### Capacity-building (affecting several of the above Recommendations)

The authorities have indicated that, in order to build the capacity of the different agencies involved in AML/CFT and to raise awareness generally, the following courses, workshops and study visit were conducted.

- A Financial Analysis Techniques course was held on 23 May, 2010, with the participation of different entities, including the AML/CTF Unit, related security agencies, Jordanian Customs Department and the Central Bank of Jordan.
- A programme on Enforcement Measures against Money Laundering, Terrorist Financing and Other Financial Crimes was held on 27-28 July, 2010 involving AML/CTF Unit employees, Public Prosecutors and Judges.
- A number of AML/CTF Unit employees visited the Lebanese FIU (SIC) during the period 12-13 July 2010.
- Representatives of the Securities Commission, Insurance Commission and Central Bank attended an advanced AML/CFT Regulatory Training Course from 19-23 July 2010, in the United States.

### **III. Underlying Reason for Deficiencies**

*This section should provide detailed analysis of the specific factors that have resulted in the strategically important AML/CFT deficiencies (e.g. lack of political will, capacity restraint, insufficient AML/CFT legislation, lack of proper implementation, etc.).*

While, at the time of the mutual evaluation, Jordan had an established legal and regulatory framework to address the basic components for an AML/CFT regime, the MER noted that the legislation and implementing regulations lacked some of the specific requirements of the FATF standard, and that there were capacity constraints within the FIU. Since its engagement with the RRG, Jordan has amended the AML/CFT law twice by issuing Royal Decrees to address the strategic deficiencies that were identified in the legislation, has restructured and strengthened the FIU, and has formalised its procedures for meeting its obligations under UNSCRs 1267 and 1373.

Jordanian authorities have been fully engaged with the RRG throughout the ICRG process, and have been very responsive at both the political and operational level.

**IV. Actions Needed to Address Deficiencies**

*This section should prioritize actions that the jurisdiction should take in order to address the deficiencies identified and provide a timeline within which those actions should be completed.*

| Action  | Timeline |
|---|----------|
| The Jordanian authorities have taken appropriate legislative and administrative steps to address the strategic deficiencies identified at the outset of the targeted review. Implementation of the new measures, and the continued development of the existing resources, will be an ongoing process. | Ongoing  |
|   |          |
|   |          |
|   |          |

The above report and action plan address the strategic deficiencies identified by the ICRG. This does not mean that there are not other AML/CFT deficiencies. It is expected that the jurisdictions will continue to work to address the broader range of deficiencies.